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# The Political Economy of Privatization for the American Military

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## Introduction

The concept of privatization has become a catchword for modernization and efficiency in the American military, but the Department of Defense (DoD) is certainly not at the cutting edge of the privatization movement. It is in fact at the tail end of the world's march to privatization; somewhere in the parade ahead of Fidel Castro but, ironically, well behind the formerly Leninist leaders of the Russian Federation. This situation is not inherently bad: there are major differences between the needs of military and civilian societies that often make brilliantly sensible policies for the private sector inapplicable to the armed forces. Nevertheless, the current debate on privatization in the DoD needs to be analyzed in the context of the global movement away from socialism and through the prism of American military culture to be truly understood.

As used in the current lexicon of the American military, *privatization* is an all-encompassing word for moving responsibility for functions and processes from the public sector to the private sector. It encompasses both the narrower form of privatization, "outsourcing" (now termed "competitive sourcing") and "absolute privatization." For clarity of communication, I will adopt the definitions of outsourcing and privatization as set forth by the Defense Science Board. The Board defines *outsourcing* as the "transfer of a support function traditionally performed by an in-house organization to an outside service provider, with the government continuing to provide appropriate oversight."<sup>1</sup> The Board defines *privatization* as "involving not only the contracting out of support functions, but also the transfer of facilities, equipment and other government assets to the private vendor."<sup>2</sup>

## The Global Picture of Privatization

Most forms of public (that is, governmental) ownership of industrial production, social services and utilities were created on a socialist ideological underpinning of what constitutes the common good. This holds true if one reviews the Leninist economic model of the former Soviet Union, the economic philosophy of the 1930s Fascist regimes of Italy and Germany, the Fabian socialist (Fabian Society) ideology which gave birth to the British Labor Party, or the liberal, democratic model of President Roosevelt's New Deal.

The collectivists of the 1930s showed great ideological diversity, and some, especially in the United States, went to great lengths to advocate socialist economic models while scrupulously

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avoiding the use of the socialist cant common to European labor parties. However, they all shared a common collectivist belief in the basic goodness of government economic intervention and governmental ownership of key parts of the national economy.

The relentless unraveling of socialist economics which has occurred during the last 50 years is beyond the scope of this article. Suffice to say, perhaps no ideological movement has promised so much wealth and prosperity for mankind, only to deliver such a bitter harvest of economic stagnation and poverty as modern socialism.

Those governments that embarked on the socialist economic equivalent of complete-immersion baptism, the absolute ownership of vertically-integrated industries from the production of raw materials to the creation of the final manufactured products, found their ultimate economic pain absolutely magnified. As the correlation between socialism and poverty became ever stronger, the daunting challenge faced by governments around the world has been to withdraw from commercial enterprises.

Those regimes which have deduced that an open repudiation of socialism would undermine their own historical legitimacy have retained a shell of collectivist jargon while filling their policy core with aggressive privatization practices built upon capitalist ideals. The best example is the Chinese government's disingenuous explanation of their capitalist policies as "socialism with Chinese characteristics."<sup>3</sup>

While government-owned commercial enterprises often poorly serve the general public, that does not mean no one profits from their existence. Management and labor in government-owned industries can be counted on to man the ideological barricades in unison to oppose privatization and are passionately

supported by their allies in the public-sector trade unions. These groups are supported in turn at the national level by government ministries whose reason for existence is the supervision of state-owned enterprises and/or operation of economic regulatory programs.

### **The Fruits of Privatization in the Civilian Sector**

While the short-term political pain governments must endure to privatize industries is often intense, the long-term benefits make the effort worthwhile. The tidal wave of global privatization began to form in Britain with the election of Margaret Thatcher in 1979. A generation of industrial nationalizations by successive Labor governments had left the country suffering from what was known around the world as "the British disease."<sup>4</sup> Far from enhancing the standard of living for the nation, Britain's nationalized industries were extracting the equivalent of \$600 annually from each tax payer in subsidies in order to keep them from collectively going bankrupt.<sup>5</sup> Over vociferous public-sector trade union opposition, the Thatcher government undertook a comprehensive program of denationalization. By 1996 these same companies, now privatized, not only were off the corporate welfare roles (that is, receiving no further cash infusions from the government), *they paid to the British Treasury* the equivalent of \$200 in taxes for each taxpayer in the nation.<sup>6</sup> Indeed, British Steel, which required perennial infusions of cash while owned by the government, now represents a global benchmark for the efficient production of steel.<sup>7</sup>

The experience of the British government is consistent with the results of privatization around the world. In 1992 the World Bank conducted a global study of the net effect of privatization in four nations: Britain, Chile, Malaysia and Mexico. In the aggregate, the Bank found that privatizations produced a net gain of 26 percent in economic output for the denationalized industries.<sup>8</sup> The Bank found the biggest efficiencies flowed from one factor alone: the new-found freedom of privatized companies to hire and fire employees and to craft compensation packages that reflected the true value of individual productive output.<sup>9</sup>

While privatization did in fact create "losers" (the state employees who now faced the more demanding requirements of market economics), the Bank found the nations as a whole gained prosperity from the enhanced economic performance those countries reaped from privatization.<sup>10</sup> Whether one views the equation in utopian terms of the "greatest good for the greatest number" or makes a cold-eyed calculation of what best enhances a nation's economic status, the evidence is overwhelming that privatization works.

### **Cultural Impediments to Privatization**

While the concept of privatization is the same around the world, the impediments are not. Few political leaders have the luxury of analyzing privatization in bare economic terms. As an example, Margaret Thatcher's first privatization venture was the sale of British Telecom (a government-owned monopoly provider of telephone service) in 1984. Viewed as a pure economic transaction, it would have been in the best interests of the British government to seek the highest possible sale price for the telephone company. Simple economics would have dictated

that individuals and corporations from around the world be allowed to purchase as much stock as they desired. This would expand the pool of bidders and insure the highest possible sale price. Furthermore, the Goliaths of the world equity markets—investment banks and pension fund managers—should have been allowed to bid for large blocks of the stock to ensure the initial public offering (IPO) price for the shares truly reflected global demand.

However, Thatcher's administration took the very opposite approach.<sup>11</sup> Her government set the IPO for the shares artificially low, all but guaranteeing the stock could be quickly resold on the secondary market at a tidy profit. The government then offered to sell a large percentage of the stock directly to small British investors at this predetermined (and artificially low) price. While not publicly acknowledged, strategic political considerations, rather than short-term economic goals, drove the terms of the privatization. The government's strategy was aimed at two primarily political objectives. First, to neutralize the opponents of privatization who had argued that the denationalization of British Telecom would generate unjust profits for wealthy individuals and foreign corporations. Second, Prime Minister Thatcher wanted to build an appetite for further denationalizations in the British electorate. By "guaranteeing" that citizens who participated in the privatization by purchasing stock directly from the government would turn an instant profit, the benefits of denationalization became immediate and tangible to a wide swath of voters who cared little about the abstract economic debate.

**Unfortunately, analysts of privatization in the American military, especially those in favor of greater privatization, tend to approach the issue using naked economic calculations unclothed with considerations of the cultural framework.**

This strategy was spectacularly successful. Over two million small investors applied to purchase British Telecom shares directly from the government.<sup>12</sup> These small investors were extremely well rewarded for placing their savings into the British Telecom privatization. On the first day British Telecom stock began trading on the international exchanges the share price rose a stunning 90 percent over the price these small investors had paid the government.<sup>13</sup>

From the beginning, the Thatcher government quite cleverly co-opted the British public into becoming its ally in privatization by allowing small investors to act as arbitrageurs between the government and the global equity markets. In pure economic terms, allowing the British public to profit as the middleman in denationalization did not add value to the process. It was,

however, immensely valuable in achieving the government's overarching strategic objective of moving Britain from a statist to a free-market society. The manner in which British Telecom was privatized created an irresistible momentum in support of widespread privatization for every sector of the economy. Prime Minister Thatcher understood the *social dynamics* of privatization were every bit as important as its mathematics.

Unfortunately, analysts of privatization in the American military, especially those in favor of greater privatization, tend to approach the issue using naked economic calculations unclad with considerations of the cultural framework they attempt to change. These proponents view the DoD as being inherently values-neutral in its use of economic models, or in the alternative, as a bureaucratic robot with neither the right nor ability to oppose the changes thrust upon it. This economically sophisticated, but politically naive, approach has caused needless turmoil within the uniformed services and exasperation for the privatization advocates when their objectives are repeatedly stymied.

### **Military Culture and Privatization**

Military professionals analyzing defense privatization must realize this policy issue will not be addressed solely in martial terms. Similarly, civilian leaders must make concessions to the exigencies of forward deployments, labor on demand, and ultimately, combat. It is unpersuasive for military leaders to resist specific privatization initiatives essentially on the grounds that the proposal would be inconsistent with traditional military practice, and equally unpersuasive for civilians to ignore the noncommercial realities of the profession of arms.

The Defense Science Board defined one of the primary impediments to privatization in the military as the "resistance of the DoD culture to fundamental change."<sup>14</sup> The Board attributed the military's hostility to privatization as flowing from its orientation on readiness rather than efficiency. While no doubt technically accurate, the Board's analysis skims the ideological surface and does not address why the "culture" of the DoD is hostile to private sector solutions, nor why military officers assume organic (government-owned) support services better enhance readiness.

### **The American Military as a *New Deal* Society**

Military culture and its system of personnel benefits, with a general preference for State ownership of economic assets, is solidly rooted in the paternalistic and socialist ideals of President Franklin Delano Roosevelt's *New Deal*. While this assertion might strike many career military members (who in recent years have been collectively accused of what might be termed "excessive Republicanism" by liberal critics) as counter-intuitive, the points of commonality between socialism and the military are in fact striking.<sup>15</sup>

First, on a personal level, the military controls an omnipresent social service system on which the average service member is deeply dependent. Rather than provide income which individuals are free to allocate as their needs and desires dictate, military compensation is predicated upon providing modest salaries supplemented with government controlled services. Ergo, military optometry care might be basic and provide only black frame glasses of little aesthetic appeal, but the service is free and

available to all. Indeed, for many military members every facet of life is provided for and controlled by the State. The house where they live, the school their children attend, the clinic where they receive medical care and the stores where they shop, are all owned and controlled by the State. The State provides these benefits for "free" or at reduced cost.

Almost alone among major organizations in America, the military clings to a defined-benefit rather than a defined-contribution pension system. Defined contribution plans, commonly referred to as 401(k)s or 403(b)s from the sections of the tax code which authorize them, utilize tax-deferred retirement accounts into which the employee and/or his employer make monthly contributions. The employee owns the assets immediately or vests for ownership in relatively brief periods of time. Customarily, employees have great freedom to select specific investment vehicles and may roll the assets over to a new deferred account if they elect to change employers (total portability).

The modern 401(k)/403(b) is the essence of the free market ethos: it places great responsibility on the employees to plan for their retirement; in turn, it empowers them to control their own destiny. The defined-benefit plan utilized by the military is at the other end of the spectrum; it is a classically socialist system: military members never contribute a penny of their own money to the system and, in turn, have no voice in how the system is funded. There is normally no vesting (the right to draw benefits) until 20 years of service, and the system has no portability. That is, barring unusual force reduction measures, a service member voluntarily departing with 19 years of service has no accrued assets and leaves with nothing.

In its totality, the military compensation system would be viewed as strange by the typical American employee at Microsoft, while his counterpart in a socialist collective farm would immediately recognize it as strikingly similar to his own world. Is it really so surprising that individuals nurtured and raised in such a system tend to cast a jaundiced and distrustful eye at the freewheeling private sector?

This military orientation toward rigid command and control production and compensation systems over decentralized market models is certainly not unique to the United States. William H. McNeill catalogues the widespread appeal command economics has for military elites in *The Pursuit of Power*.<sup>16</sup> This sweeping review of the relationship between civilian society and military forces over the last thousand years chronicles how both the 19<sup>th</sup> Century Prussian and British armies, distrustful of private industrialists, attempted to contract for armaments exclusively through government-owned arsenals. Only after it became painfully obvious that weapons from government arsenals were consistently inferior in design and overall quality did conservative British and German officers turn in frustration to the private sector. Indeed, it has been popular at times in the Anglo-American view of history to paint the Prussian General Staff and Krupp's industrial combine as locked in an unholy alliance of conquest and profits. McNeill shows how in reality the Prussian Army stubbornly attempted to keep armaments production inside army-owned plants. The General Staff finally turned to Krupp, resentfully, only out of fear that inefficient and technologically inferior government arsenals would imperil German security.<sup>17</sup>

Whether one analyzes 19<sup>th</sup> Century European armies or the modern American military, the cultural bias against the private

sector remains constant. The power and security which command economies provide are as compelling for military leaders as they are for Marxist ruling elites. However, exactly like Marxist rulers, military leaders fettered to the government-controlled production of goods and services are ultimately faced with the spiraling inefficiency and continual resistance to change that are part and parcel of command economies. It makes no difference in this equation if the government-owned and directed plants are used for the production of automobiles or tanks. Likewise, the fact that the commands are given by military officers rather than civilian government bureaucrats will not inject creativity and incentives for efficiency into stodgy government monopolies. Only when the price to be paid (in subsidies and shoddy products) for the security of control becomes unacceptably high do command bureaucracies relax their grip and look to the private sector in desperation.

The social dynamic that motivated the Prussian General Staff and British Army to resist privatization—the security of control—is as relevant today for the United States military as it was in 19<sup>th</sup> Century Europe. The rather exasperated statements of the Defense Science Board that military culture is needlessly hostile to the private sector and wedded to inefficient support systems might be true, but they are not particularly helpful in understanding why those policy biases exist or in ameliorating the legitimate concerns of commanders.

### **The Ghost of McNamara**

The DoD has a long collective memory. The privatization debate has a hauntingly familiar ring to career military officers. It resonates with the policy initiatives of an arrogant Robert McNamara and his civilian “Whiz Kids.” Even the buzz words used then and now are similar. McNamara was, after all, determined to bring private sector business efficiency to the armed forces.

In perhaps his most famous quote on the subject, McNamara stated “Running any large organization is the same, whether it is the Ford Motor Company, the Catholic Church, or the Department of Defense. Once you get to a certain scale, they’re all the same.”<sup>18</sup> By such a sweeping assertion, McNamara dismissed any suggestion that the military had unique organizational needs because of its mission.

Not only was McNamara determined to force private sector business practices on the military, but ever distrustful of career officers, he used his civilian systems analysts as shock troops to force and implement “reform.” His roughshod efforts to impose efficiency on the DoD, and his subsequent disastrous attempts to apply systems analysis to the war in Vietnam (for example, comparing friendly and enemy body counts as a quantifiable measure of success), all worked to reinforce the military’s impression that private-sector business practices are grossly inapplicable to armed forces.

While one might soundly discredit a concept in military circles by merely attributing it to McNamara, that does not hold true with Congress, Presidents or the elite of the American business world. McNamara’s reorganization of the Ford Motor Company, his efforts to rationalize defense procurement systems as Secretary of Defense and his subsequent stewardship of the World Bank all won him many influential admirers in American society.<sup>19</sup>

If the most conservative members of the military and the most vociferous and left wing critics of the Vietnam War agree on one

thing, it is that Robert McNamara was a disaster as Secretary of Defense. Despite the irony, the wheels of history grind on and the military cultural deficiency that allowed McNamara to so thoroughly dominate the debate over the proper organization of the DoD shows itself again in the debate over privatization. The deficiency I refer to is the fact that the senior military leadership and the staffs which served them were ill prepared to do intellectual battle on the terms McNamara set for the debate.

**Privatization initiatives should be managed in the introductory phase, not to maximize financial savings, but to build a consensus inside the military that "denationalization" of support services leaves the armed forces better cared for than the status quo.**

McNamara’s disdain for the officer corps, based upon his perception of their ignorance about professional (that is, private sector) organizational management, cost accounting methods and other quantifiable measures of merit, should not be dismissed solely as personal intransigence, or the prejudice of a leader who favored the private sector. In reality, the management of the DoD, in particular the always-vexatious defense procurement process, left much to be desired.

Thirty years after its introduction by McNamara, the “planning, programming and budgeting process” remains the benchmark for the coherent financial integration of research and development, weapons production and operations. Furthermore, the Office of Systems Analysis (a.k.a. the Whiz Kids) created by McNamara in 1961, and subjected to withering criticism from the moment of its birth by both military officers and Congressional budget chieftains, is still alive and well. However, it now travels under the moniker of the Secretary of Defense’s “Office of Program Analysis and Evaluation,” and is an accepted (if at times grudgingly) part of the DoD landscape.

The dominance of systems analysis in the early 1960s flowed not from the intellectual brilliance of McNamara and the Whiz Kids, though in their hubris they believed so. Their ideas only appeared to shine brightly when compared with the utter inability of the military services to quantify their own objectives, or credibly dissect the methodology of the Whiz Kids. As one of McNamara’s analysts succinctly explained their ideological dominance, “Other people had objectives, we had arithmetic.”<sup>20</sup>

Rather than deal effectively with McNamara on his own terms, the uniformed military tended to dismiss all systems analysts and their civilian advocates, as the proverbial “pencil-necked geeks” who knew nothing of the equally proverbial “real world.” This is aptly reflected in the condescending remarks made by Air

Force Chief of Staff General Thomas White in 1963 when he stated: "I am profoundly apprehensive of the pipe-smoking, tree-full-of-owls type of so-called professional defense intellectuals who have been brought into this nation's capital."<sup>21</sup> While this posturing might have done much for the military's collective sense of professional superiority, it did nothing substantively to answer the challenge posed by McNamara's organizational and budgetary expertise, or respond to the relentless mathematics of his Whiz Kids.

The McNamara juggernaut was never really stopped as much as it was first tamed and then exploited by the military services to enhance their own organizational and procurement objectives. By the late 1960s all of the Services had sent military officers to learn systems analysis as it was used in the corporate world, and then used this institutionally loyal talent to establish their own versions of DoD's Office of Systems Analysis.<sup>22</sup>

### **Beyond McNamara: The Current Experience With Privatization**

There are numerous policy roads that steer the military toward privatization. A modified version of the "Thatcher approach" has the potential not only to diffuse the current consternation over privatization, but also to turn the uniformed military into enthusiastic supporters.

Early privatization initiatives should be selected and managed to provide quantifiable and palpable improvements in the status of the military, particularly in the quality of life provided for the rank and file. Privatization initiatives should be managed in the introductory phase, not to maximize financial savings, but to build a consensus inside the military that "denationalization" of support services leaves the armed forces better cared for than the status quo.

While the political leadership has asserted that it is pursuing this objective, the reality on the ground has fallen short. First, the rewards of privatization have often been defined in promises of abstract future benefits that will accrue years from now. Even a rudimentary understanding of the Congressional appropriations process does not inspire confidence that savings generated now will be reliably returned to the Air Force in the form of additional F-22 aircraft or improved barracks in future years. For military members, the generalized benefits of privatization are tenuous and intangible promises of a distant nature. Furthermore, there is the gnawing (and well-placed) fear that promises of reinvesting savings from privatization made by today's political appointees and Congressional leaders are will-of-the-wisp and unenforceable; promises are easily swept aside and forgotten by new political leaders with far different budgetary priorities. In essence, the uniformed military is thus encouraged to surrender tangible manpower authorizations and organically owned property today, based upon unenforceable assurances that this virtuousness will be rewarded in future budgetary decisions. This is not a formula to inspire confidence among astute military leaders in the wisdom of voluntary privatization.

Second, the comprehensive privatization initiatives that have been undertaken to date have been the antithesis of the Thatcher strategy. Far from producing an immediate and tangible benefit for the uniformed military which will build support for future privatizations, they have tended to produce an immediate and tangible *decrease* (both perceived and real) in the level of support

services. The leading count in this indictment is the outsourcing of medical care for dependents through the TRICARE program. For the vast majority of military members, their personal experience with privatization has nothing to do with depots or base closings. The decision to outsource medical care and the impact of this action on their families forms their template for judging privatization.

TRICARE has been castigated by a former Surgeon General of the Army as a breach of faith with military families that produced a "six year set back" in Army medicine.<sup>23</sup> It has been subjected to scathing, widespread criticisms by its intended beneficiaries,<sup>24</sup> and often found to be inferior to the former government-owned and operated military medical care facilities that were outsourced.<sup>25</sup> A recent General Accounting Office report warned that civilian physicians were becoming disillusioned with TRICARE because of its low compensation rates and unresponsive bureaucracy.<sup>26</sup> While a sound case can be made that these problems are attributable to the halfhearted and incomplete outsourcing of medical care that TRICARE represents, the argument is lost on the recipients of the program. The fundamental fact is that TRICARE remains the overarching personal experience most military members have with privatization. With this hard reality on the ground, is it any wonder that a broad cross-section of military society views privatization as a code word for decreased levels of support and inferior services?

The successful outsourcing of medical care could have been a fulcrum that enthusiastically levered military society away from its embrace of *New Deal* models of support services. Indeed, it could have been the Secretary of Defense's equivalent of what the British Telecom sale was for Thatcher: a successful watershed that created a ground swell of support for privatization. Instead, the dismal TRICARE experiment has served to reinforce the traditional view that only government-owned and operated support services are reliable.

### **Recommendations**

The situation military leaders face today in the struggle over the scope of privatization is highly analogous to the one faced with McNamara. Indeed, it is essentially the same struggle, only fought over different objectives. Spearheading the drive for privatization are again political appointees guided by advisors with strong roots in the private sector.

The Defense Science Board Task Force that created the landmark study on military privatization was guided and led by masters of the private sector. The Chairman of the Task Force was Phil Odeen, President and Chief Executive Officer of BDM International. The Vice-Chairman was Mort Meyerson, President and Chief Executive Officer of Perot Systems Corporation. Once again, civilians from the private sector are defining the terms of the debate. Once again, the military operates at a double disadvantage. First, the senior political leadership who ultimately mold the DoD have found the gist of the arguments put forward by this new group of private-sector Whiz Kids very credible. Second, the military is at an institutional disadvantage in raising concerns or objections that are *credible within the framework of the debate*.

When presidents of major industrial and service corporations, people of immense business competence and unquestioned



patriotism, confidently state that specific parts of the military mission can be performed better, and for less cost, by private sector contractors and support their arguments with professional quantitative analysis, those arguments do (and in fairness should) carry great weight.

Senior military officers who have spent their lives focused on the art of operations, but have no experience at the executive level in the corporate world, are at an immediate disadvantage in this debate. Furthermore, counter-arguments that are not put in quantifiable terms, that are based on generalized philosophical premises of what parts of the support structure need to remain organic to ensure "reliability," tend to be viewed skeptically as smoke screens for the maintenance of bureaucratic empires and the emotional security of the status quo.

**If a deployment tasking calls for 30 civil engineering troops, does the sole hapless installation commander who elected not to privatize this operation have his squadron deployed en masse to meet the tasking for the numbered Air Force?**

The time has come for military officers to stop rowing against the tide and plunge into the world of privatization. The current ad hoc approach to privatization is largely predicated upon the Byzantine (and purely economic) requirements of the Office of Management and Budget (OMB) Circular A-76 cost comparisons. They are conducted by local commanders ill prepared to conduct the *quantitative analysis* this outsourcing requires, let alone determine how their installation-level privatizations impact the overall fabric of military support services. Ergo, if five of the six bases in a numbered Air Force elect to totally privatize their civil engineering squadrons based upon local budgetary determinations, how does this impact the deployment decisions of the numbered Air Force?

If a deployment tasking calls for 30 civil engineering troops, does the sole hapless installation commander who elected not to privatize this operation have his squadron deployed en masse to meet the tasking for the numbered Air Force? Do the five installations that privatized their civil engineering roll happily along during the contingency, secure in the knowledge their engineering support staff is "undeployable?" Ad hoc privatization conducted under OMB Circular A-76 rules for outsourcing does not provide a forum for even addressing such issues, let alone resolving them.

The uniformed military needs a vastly expanded pool of well-trained professionals dedicated to understanding and analyzing the world of privatization issues. To be effective, these military brain trusts *must* have true expertise in "real world" military operations, public sector privatization lessons learned, federal law and policy issues, as well as a thorough knowledge of commercial

capabilities in the private sector. To the degree the officer corps studies and understands the corporate world, its knowledge and attention tends to focus on the massive, vertically integrated industries of a bygone age. This is understandable since those industrial behemoths most resemble the current structure of the DoD and have traditionally served as the most important suppliers; they are thus comfortably familiar. However, they are of marginal usefulness in understanding the challenges of privatization.

Rather than sending the best and brightest of the officer corps to intermediate and senior service schools, a more useful tack might be for a far greater percentage to attend institutions such as the Wharton School of Business, followed by internships with the "Wal-Marts" of the corporate world.

By Wal-Marts, I mean cutting-edge businesses whose success hinges on information management, outsourcing and a complex web of suppliers. When those officers returned to the military they would be far better prepared to utilize privatization where appropriate. Educating military/corporate interns would also give the military leadership the institutional firepower to answer credibly the challenge of today's civilian Pentagon Whiz Kids. Developing a robust institutional expertise in privatization would allow the military to coherently graft a new economic paradigm into its culture, while intelligently opposing conversion in areas where a thoughtful analysis establishes it would weaken the military.

The marching orders for this privatization corps should be to analyze each initiative on its *merits* for enhancing the quality of life and operational robustness of the military. Also crucial, senior leadership should cease the public commentary that we must privatize to find the money for new weapons. The unstated message in this justification is privatization does produce inferior support services, but we have no choice because of budgetary constraints. The implication here is senior leadership has placed hardware over people.<sup>27</sup> Defining the motivation for outsourcing as financing weapons poisons the social dynamics of privatization.

## Conclusion

The struggle between McNamara and the officer corps, which has evolved to the current debate on privatization, is often cast as a contest between military and civilian values. While superficially true, this analysis misses the mark. A long historical view indicates the partisans of both groups represent two separate but equally honorable military philosophies.

McNamara and his proteges are the modern disciples of Jomini. Like this great Napoleonic strategist, they view warfare as a cold and precise science. To McNamara, and to Jomini, success goes to the leader with the greatest organizational skill in building and wielding a massed military force. It is warfare as the science of physics; the ability to concentrate energy and unleash it on an opponent.

The precise calculation of economic and logistical efficiencies are also integral to the Jominian model. During the Napoleonic era, as during the Cold War, the size of the military force a nation could raise and keep mobilized for years on end was critical in pursuing national objectives. When the maintenance and supply of large military formations are a permanent part of the environment, rather than a transitory situation, pursuing economic efficiency in a comprehensive and quantifiable manner becomes a national security imperative.

**If the old adage that "war is too important to be left to the generals" holds a nugget of truth, it is also true that military privatization is too important to be left to civilian accountants.**

The situational dynamics of the Cold War that motivated McNamara and his Whiz Kids were very Jominian, as were the solutions they attempted. While the international situation today is less foreboding for the United States, the relentlessly increasing budgetary restraints placed on the military drive the civilian leadership of the DoD into a new set of quantitative cost-versus-benefit analyses for every aspect of the military establishment. Indeed, the budgetary pressures for economic rationalization over robust operational readiness are, if anything, more intense now than they were in McNamara's time. With no hostile totalitarian super power menacing the interests of the US, the arguments of those who make their policy recommendations based upon cold mathematics are harder to resist.

At the other end of the philosophical spectrum, the American officer corps are, in the aggregate, disciples of Clausewitz. As such, they view warfare as ultimately a human attribute, an art that can never be completely quantified in a mathematical equation. The firm political support of the nation, flowing through the iron will of the commander energizes the force and cuts through the fog and friction of war. It is a philosophy that gives little credibility to those who would predict success or failure based upon the laws of physics or calculations of economic efficiency.

This is not a philosophical orientation that needs to be hedged or apologized for when articulated. How privatization affects the morale and self-confidence of the military is a profoundly germane issue, even if it is difficult to quantify. Members of the DoD who believe their service has little intrinsic value, that their quality of life, if not their very careers, hinge on the non-military economic calculations of endless A-76 outsourcing competitions, are unlikely to have the devotion to duty and willingness to sacrifice needed by a professional military with global responsibilities.

If support personnel, from flight surgeons to mechanics, are effectively told their services are needed only if they "cost out" at less than private sector equivalents, is it realistic to expect they will place "service before self" in assessing the loyalty they owe the DoD? Is it ethical to criticize them for making year-by-year calculations of the value of continued military service based purely upon economic considerations, rather than patriotic loyalty, when they know their employer judges them solely by an economic yardstick? If senior military leaders do not raise these considerations in the debate over privatization, rest assured that no one else will.

Truly great leaders borrow freely from both Jomini and Clausewitz, melding social sophistication with dispassionate

science. The American military operates best when there is a balance between these two schools. During the periods when either camp gains absolute ideological dominance, as happened with Secretary McNamara in the 1960s, the military becomes a less balanced and, ultimately, a less effective force. This historical and cultural prism provides both the officer corps and the civilian political leadership the best focus for the unfolding debate on privatization. If the old adage that "war is too important to be left to the generals" holds a nugget of truth, it is also true that military privatization is too important to be left to civilian accountants.

#### Notes

1. "Outsourcing and Privatization," Defense Science Board Task Force, Office of the Under Secretary of Defense for Acquisition and Technology, Aug 96, 7A.
2. *Ibid.*
3. For a comprehensive review of the length the Chinese Communist Party has gone to mask its embrace of capitalist policies or cloak them in Marxist jargon, see: Cliff DuRand, "The Exhaustion of Developmental Socialism: Lessons from China," *Monthly Review*, Dec 90, Vol. 42, No. 7, 8-19.
4. Moore, John, "British Privatization—Taking Capitalism to the People," *Harvard Business Review*, Jan-Feb 92, 115.
5. "The Thatcher Revolution," *The Economist*, 21 Sep 96, 8.
6. *Ibid.*
7. *Ibid.*
8. "Escaping the Heavy Hand of the State," *The Economist*, 13 Jun 92, 73-74.
9. *Ibid.*
10. *Ibid.*
11. "British Privatization—Taking Capitalism to the People," 115.
12. "Privatization in Britain: Making the Modern Dinosaur Extinct," *The Economist*, 23 Feb 85, 76-78.
13. *Ibid.*
14. "Outsourcing and Privatization," 37A.
15. For a rendition of the arguments that the officer corps has become too openly partisan in favor of the Republican Party, see: Andrew Bacevich and Richard H. Cohen, "Grand Army of the Republicans: Has the US Military Become a Partisan Force?" *New Republic*, 8 Dec 97, 22-25.
16. McNeill, William H., *The Pursuit of Power: Technology, Armed Force and Society Since A.D., 1000*, Chicago: University of Chicago Press, 1982.
17. *Ibid.*, 273.
18. Shapley, Deborah, *Promise and Power, the Life and Times of Robert McNamara*, Boston: Little, Brown & Company, 1993, 236-237.
19. For a laudatory review of Robert McNamara, his drive and energy to excel and the success of the systems analysis he utilized at the World Bank, see: Louis Galambos and David Milobosky, "Organizing and Reorganizing the World Bank, 1946-1972: A Comparative Perspective," *Harvard College Business History Review*, Vol. 69, 22 Jun 95, 156-229.
20. "Whiz Kids Rebound?" *The National Journal*, Vol. 21, No. 21, 11 Nov 89, 2741.
21. *Ibid.*, 2742.
22. *Ibid.*, 2741.
23. Willis, G. E., "Top Doc Hands off Troubled System," *Army Times*, 9 Sep 96, 4. (Interview with retiring Army Surgeon General Alcide LaNoue.)
24. Nesmith, Jeff, "Complaints Haunt Pentagon's Health Care Repair; Where are the Savings? And Where is the Service? Doctors, Patients and Politicians Slam Program," *Atlanta Constitution*, 1 Jan 98, 7A.
25. "Congress Told of Problems with Military's TRICARE Health Plan," *Cox News Service*, 1 May 98.
26. "Defense Health Care," General Accounting Office, Report 98-80, 26 Feb 98.
27. *Air Force Journal of Logistics*, Vol. XXI, No. 2, 27.
28. It is not just the uniformed military who draw this inference, or question whether privatization really produces better services for personnel. Congressman Steve Buyer, Chairman of the House National Security Committee, recently stated "I find the DoD preoccupation with cost to be somewhat disingenuous. DoD witnesses have told us that TRICARE is saving billions of dollars in health care costs, yet apparently, none of those

CONTINUED ON THE TOP OF PAGE 42



## *Have You Thought About—*

*The history of war proves that nine out of ten times an army has been destroyed because its supply lines have been cut off . . . . We shall land at Inchon, and I shall crush them.*

*Douglas MacArthur*

*'That's the reason they're called lessons' the Gryphon remarked: 'because they lessen from day to day.'*

*Lewis Carroll, Alice's Adventures in Wonderland*

*Mobility is the true test of a supply system.*

*Captain Sir Basil Liddell Hart, Thoughts on War*